

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

02-04 — — — — —

2. STATE:

Kentucky

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

04/01/02

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.331 through 447.334

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19 - B, page 20.1

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 \$ (7.8 million)

b. FFY 2003 \$ (8 million)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19 - B, page 20.1

10. SUBJECT OF AMENDMENT:

Reimbursement for Drugs

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:Delegated to Commissioner,
Dept. for Medicaid Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Mike Robinson

13. TYPED NAME:

Mike Robinson

14. TITLE:

Commissioner

15. DATE SUBMITTED:

6/11/02

16. RETURN TO:

Frances McGraw
Dept. for Medicaid Services
275 E. Main Street
Frankfort, KY 40621

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

June 11, 2002

18. DATE APPROVED:

August 12, 2002

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

April 1, 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

Rhonda R. Cottrell

21. TYPED NAME:

Rhonda R. Cottrell

22. TITLE:

Associate Regional Administrator
Division of Medicaid

23. REMARKS:

Methods and Standards for Establishing Payment Rates – Other Types of Care

I. Drugs

A. Reimbursement

1. Participating pharmacies are reimbursed for the cost of the drug plus a dispensing fee. Payments shall not exceed the upper limits specified in 42 CFR 447.331 through 447.334
2. Participating dispensing physicians are reimbursed for the cost of the drug only.
3. Providers will be reimbursed only for drugs supplied from pharmaceutical manufacturers who have signed a rebate agreement unless the Department has determined that it is in the best interest of Medicaid recipients to make payment for non-rebated drugs.

B. Payment Limits – Payment for the cost of drugs shall be the lesser of:

1. The Federal Maximum Allowable Cost (FMAC) of the drug for multiple source drugs other than those brand name drugs for which a prescriber has certified in writing as “brand medically necessary” or “brand necessary”;
2. The Estimated Acquisition Cost (EAC) of the drug that has been established by the Department to be equal to the average wholesale price (AWP) minus twelve (12) percent ; or,
3. The provider’s usual and customary charge.

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